

April 29, 2004

Office of General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

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FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

2004 MAY 24 P 3:17

COMPLAINT

MUR # 5454

Complainant: Paul R. Hollrah

Locust Grove, Oklahoma 74352

Respondents Edwards for President Committee

Julius Chambers, Treasurer

Also: Stacy Kern, Howarth & Smith, Los Angeles, CA

Robert Kern, her husband

Michelle Abu-Halmeh, Turner & Associates, Little Rock, AR

Elaine Reeves, Wilkes & McHugh, Tampa, FL

Thomas Reeves, her husband

Vikki Sanchez, Shernoff Bidart, Claremont, CA

Thomas Sanchez, her husband

Donna Hosea, Robinson Calcagnie, Newport Beach, CA

Michael Hosea, her husband

Complaint:

From the earliest stages of the Democratic presidential primary it was a matter of major curiosity that a freshman member of the United States Senate, serving his first term in public office, could attract the funds necessary to make a credible run for the office of President of the United States.

Finally, in May 2003, *The Hill* newspaper, of Washington, DC, printed the results of a preliminary investigation of contributions to the Edwards for President Committee. It was clear from their early findings that a pattern of widespread abuse of provisions of the Federal Election Campaign Act existed. Among their early findings were the following:

- Stacy Kern is an administrator at Howarth & Smith in Los Angeles. On March 6, 2003, Stacy and her husband, Robert, a "self-employed travel agent," each gave \$2,000 to the Edwards campaign. Two associate attorneys and five of the firm's

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six partners also contributed \$2,000 each. Stacy Kern and her husband are not registered to vote and have never before made a contribution in a federal campaign.

- Michelle Abu-Halmeh, a legal assistant at Turner & Associates in Little Rock, made a \$2,000 contribution to the Edwards campaign. Ms. Abu-Halmeh reportedly told a Washington Post reporter that she expected her boss to reimburse her. She was apparently unaware that it would be a violation of federal law for him to do so, or for her to accept the money.
- Elaine Reeves, an office manager at Wilkes & McHugh, in Tampa, made a \$2,000 contribution to the Edwards campaign on March 26, 2003, as did four other employees of the firm. Another five employees gave \$2,000 each a month earlier. FEC records show that Ms. Reeves' husband, Thomas, a "self-employed driver," also contributed \$2,000 on March 26. Both Reeves are registered Republicans. Their contributions to the Edwards campaign were the first they've ever made.
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- Vikki Sanchez, a paralegal at Shernoff Bidart in Claremont, California, was one of six employees who made \$2,000 contributions to Edwards on March 10, 2003. FEC records show that Sanchez' husband, Thomas, also made a \$2,000 gift to Edwards on that date, although he was unaware that he had given money to Edwards. Both of the Sanchezes are registered Republicans and regularly vote Republican.
- Donna Hosea is a paralegal at Robinson Calcagnie in Newport Beach, California. On March 7, 2003, both Donna and her husband, Michael, gave \$2,000 checks to the Edwards campaign, as did three other paralegals, an office manager, and eleven of the firm's fourteen attorneys. Donna Hosea is a registered Independent and her husband is a registered Republican. Neither have made previous political contributions in federal campaigns.

Although it is impossible to conclude, in the absence of hard evidence, that violations of the Federal Election Campaign Act have taken place in the incidents cited above (a great many lower level law firm employees may have been struck, simultaneously, by an overwhelming sense of generosity toward Senator Edwards), the appearance of massive wrongdoing is clearly present. If a cursory investigation by a small team of newspaper reporters can find dozens of potential violations, a full and complete investigation by the FEC and/or the Department of Justice could unearth hundreds, if not thousands.

In the months since the published report by *The Hill*, I have seen no evidence that the FEC has investigated this matter, fulfilling its obligation to the people, or that violators have been prosecuted. This, in spite of the fact that the matter in question may represent the most massive violation of federal campaign law ever recorded.

What causes much concern is that these apparent violations of 2 U.S.C. 441f involved law firms. Of all of the people in America, they can and should know better. Is it a matter that lawyers generally feel as though the law applies only to others, not to them, that they are above the law, that they are far too smart to have to live by the letter and the spirit of the law? The people of the United States deserve to know the answer to these questions.

As a citizen of the United States of America, I am obliged to live by the provisions of the Federal Election Campaign Act. I expect Senator Edwards and every other candidate to do likewise.

I hereby request that the Federal Election Commission conduct a thorough investigation of the financial transactions of all those individuals who are known to have contributed the maximum allowable to the campaign of Senator John Edwards. I enclose texts of newspaper reports from *The Hill*, along with the text of a weekly newspaper column that I write. The column dealing with the apparent violations cited above is titled, "The Skunk at the Sunday School Picnic." It was published in the Mayes County, Oklahoma *Banner* on Wednesday, February 25, 2004.

For the people:

Paul R. Hollrah
Complainant

MAY 17, 2004
Date

ACKNOWLEDGEMENT

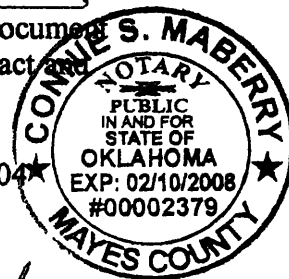
STATE OF OKLAHOMA, County of Mayes, as before me the undersigned, a Notary Public, in and for said County and State, on the 17 day of May, 2004, personally appeared Paul R. Hollrah, to me known to be the identical person who executed the within and foregoing document and acknowledged to me that he executed the same as a free and voluntary act and deed for the uses and purposes therein set forth.

Subscribed and sworn to before me this 17 day of May, 2004

My Commission Expires:

2-10-2008

Connie S. Mabery
Notary Public



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IN THIS ISSUE Thursday April 29, 2004

MAY 7, 2003

Donations to Sen. Edwards questioned

By Sam Dealey

Sen. John Edwards' presidential campaign finance documents show a pattern of giving by low-level employees at law firms, a number of whom appear to have limited financial resources and no prior record of political donations.

Records submitted to the Federal Election Commission (FEC) show these individuals have often given \$2,000 to the North Carolina Democrat, the maximum permitted by law.

In many instances, all the checks from a given firm arrived on the same day — from partners, attorneys, and other support staff.

Some of these support staff have not voted in the past, and those who have voted include registered Republicans, according to public records on file with various county registrars of voting.

Edwards' campaign records also reveal that many of these individuals' spouses and relatives contributed the maximum on the same day. The Hill found many of them to be first-time givers. Some have no previous demonstrable interest in politics, while others appear to be active Republicans.

Stacy and Robert Kern of Los Angeles, for example, are among those who contributed to Edwards' candidacy. Stacy Kern is listed as an administrator at the law firm of Howarth & Smith. The firm participated in the class-action suits against the tobacco industry.

On March 6, Stacy Kern contributed \$2,000 to the Edwards campaign. Two associate attorneys and five of the firm's six partners also contributed the maximum amount. Los Angeles County records show that Stacy Kern is not a registered voter and has not previously voted or contributed to a federal campaign.

Her husband Robert, a self-employed travel agent, also gave \$2,000 on the same day. Robert Kern was at one point registered to vote in Los Angeles, but after numerous unanswered letters since 1996 from the county registrar of voters, he was dropped from the voter rolls last year. As with his wife, Robert Kern has no record of having voted

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and made no previous federal campaign donations.

In 1998, Stacy Kern declared Chapter 7 bankruptcy in California, with assets of \$7,925 and liabilities of \$126,769. In 1994, California assessed her husband with a \$33,254 state tax lien, active until 2004. The Kerns are not listed as property holders.

Stacy Kern said there was no coordination at the firm of donations to Edwards. But she added: "I mean, it's not coincidence. I mean, we talked about him [around the firm]."

She said she does not remember the nature or specifics of those talks. Her husband Robert did not return several calls from The Hill.

A 2002 survey conducted by the Legal Assistant Management Association (LAMA) found that paralegals earn an average pre-tax salary of \$44,416. Clerks make \$30,345 on average, and managers receive \$81,151. LAMA noted that salaries for legal assistants in San Francisco, San Jose and Los Angeles tend to be 11-29 percent higher than those nationwide.

Jennifer Palmieri, a spokeswoman for Edwards, told The Hill that the pattern of low-level employee contributions "doesn't concern us" and that the Edwards campaign is "proud of our compliance record."

Several newspapers have reported that the Department of Justice (DOJ) has begun a criminal investigation into donations to the Edwards campaign from an Arkansas personal injury law firm. Michelle Abu-Halmeh, a legal assistant at Turner & Associates, told The Washington Post last month that she expected to be reimbursed by her boss for her \$2,000 contribution.

According to the Federal Election Campaign Act, contributions by an individual or entity to a political campaign in the name of another person are prohibited. Both the named and concealed donors are liable. The campaign is also liable if it knowingly accepts conduit funds.

There is no direct evidence that the pattern of giving in this article constitutes improper or illegal activity on the part of any individuals, law firms, or the Edwards campaign. Legal support staffers who spoke to The Hill said they neither expected nor were promised reimbursement for their contributions. The law firms did not return calls seeking comment.

A DOJ spokesman, citing departmental policy, declined to confirm or deny whether an investigation is underway.

Palmieri said the campaign has not been contacted by DOJ regarding that matter. She added that the campaign now advises donors of the laws governing third-party contributions.

In the three-month financial reporting period ended March 31, the Edwards campaign reported raising more than \$7.4 million, the vast majority from individual contributors. Records show that nearly two-thirds of these contributions came from persons connected with law firms.

The large amount of donations to Edwards, a first-term senator with no prior political experience, is noteworthy because he bested his more seasoned Democratic presidential hopefuls in the race for early money — itself an important indicator of political viability.

Edwards's FEC filings show much of the presidential contender's impressive fundraising came from well-heeled attorneys at successful trial law firms.

Nevertheless, the seeming pattern of contributions by many low-level employees has raised concerns among several campaign finance watchdogs.

"It seems on the surface very suspicious," said Bill Allison of the non-partisan Center for Public Integrity. "I think it is somewhat questionable that people who have never donated before would suddenly donate \$2,000," he said.

Larry Noble, executive director of the Center for Responsive Politics, also said the pattern of donations is surprising. "When you see groupings of contributions being given by office workers who are not among the highest-paid, and you see them maxed-out and their spouses maxed-out, then questions get raised," he said.

The Hill examined thousands of pages of public records.

Among those who gave is Elaine Reeves, an office manager at Wilkes & McHugh, a Tampa-based trial firm specializes in nursing home abuse litigation.

On March 26, Elaine Reeves gave \$2,000 to Edwards. Four other employees of the firm also gave the maximum that day, and another five gave \$2,000 a month before.

In September 1995, FEC records show an individual with the same name residing at a known address of Elaine Reeves's gave \$1,000 to the Clinton-Gore '96 Primary Committee. One year later, in September 1996, Pasco County records show Elaine Reeves

registered as a Republican. She has not voted, according to county records.

Elaine's husband, Thomas Reeves, also gave \$2,000 to the Edwards campaign on March 26. He is identified on campaign filings as a self-employed driver. In 1996, Thomas registered as a Republican and voted in the 2000 general election. FEC records show he has not previously been a political contributor.

In 1996, the Reeves bought their Lutz, Fla., home for \$99,000, with a mortgage of \$94,000. In 2001, the home was assessed at \$95,362. Elaine Reeves declined to comment for this article and Thomas Reeves could not be reached.

While similar donations found by The Hill occurred across the nation, a disproportionately large number of them came from California.

Else Latinovic, an administrator at Los Angeles-based O'Donnell & Shaeffer, contributed \$2,000 to Edwards on March 31. O'Donnell & Shaeffer's website states: "Our philosophy is that we do best what we know best — litigation and trial work."

In addition to Else's maximum contribution, nine other employees at the firm contributed varying amounts on the same day, including four lower-level employees who maxed out.

Los Angeles County records show Else Latinovic has not voted and is not registered to vote. She has no prior record of federal campaign donations.

In 1996, California assessed Else Latinovic with a state tax lien of \$2,465. In 2000, she declared Chapter 7 bankruptcy, with no assets for distribution. In 2001, she purchased a Simi Valley, Calif., condominium for an undisclosed amount from relatives Vid and Anita Latinovic.

Anita Latinovic, who is listed as retired, also gave \$2,000 on March 31. She has no previous history of political donations. Los Angeles and Kern counties, where she has maintained residences, have no record that she registered to vote or voted.

Vikki Sanchez is a paralegal at Shernoff Bidart & Darras, a law firm in Claremont, Calif., that specializes in insurance liability work, including HMO litigation and Holocaust claims.

On March 10, Vikki Sanchez contributed \$2,000, the same day and the same amount as five other firm members. Two other Shernoff

Bidart employees contributed the maximum amount on different days. All four of the firm's partners contributed \$2,000.

In 1992 Vikki Sanchez registered in Los Angeles County as a Republican. She has consistently voted in federal elections, including California's primary.

California utilizes a closed-primary process. Individuals registered with a party may only vote for that party's candidates in primary elections.

Vikki Sanchez did not recall previously donating to a federal campaign. Federal election records show that in 2000 she contributed \$1,000, the maximum amount permitted at the time, to Rep. Adam Schiff (D-Calif.). The donation occurred on the same day as other Shernoff Bidart employee contributions.

"Everybody in the firm was aware that there was money raised," said Vikki Sanchez of the Edwards donations. "We were just asked if we'd like to contribute." She says she was not promised reimbursement for her donation. "The attorney I work with mentioned that they were giving some money and they were speaking to others," Vikki Sanchez said.

On March 10, Vikki's husband Thomas Sanchez also contributed \$2,000. Listed as a facilities manager at Metro Water District, he registered as a Republican in 1992. Thomas Sanchez has consistently voted in elections, including the state's closed primary. He has no record of prior political donations.

Thomas Sanchez said he was not aware that he had donated to the Edwards campaign. "Wasn't me," he said. "You've got the wrong guy." His wife said she gave one check to the Edwards campaign for \$4,000 from both herself and her husband.

The Sanchez's Walnut, Calif., house was assessed in 2002 at \$266,700, nearly \$20,000 less than what it was bought for in 1987.

Lower-level employees at the plaintiffs' firm Robinson Calcagnie & Robinson also contributed heavily. FEC records show three paralegals and an office manager maxed-out to the North Carolinian on March 7. Eleven of the Newport Beach firm's 14 attorneys also contributed \$2,000 on the same day.

Donna Hosea, a paralegal at Robinson Calcagnie and incorrectly identified on Edwards' filings as "Donna Hosen," also gave \$2,000 on March 7. She has no previous history of donating to a federal campaign. Donna Hosea registered to vote in Orange County in 1984

as an independent and frequently participates in elections.

Donna's husband Michael Hosea, a self-employed contractor, also gave \$2,000 on the same day as Robinson Calcagnie employees. He registered with Orange County in 1982 as a Republican and regularly votes in federal elections, including the California primary. Michael Hosea has no previous history of donating to a federal campaign.

The Hoseas' Cypress, Calif., house was purchased in 1971 for \$28,000. Last year it was assessed at \$117,597. The couple also purchased property in Arizona in 1989 for \$84,000, and service a mortgage of nearly \$140,000.

Donna Hosea said the \$4,000 donation from her and her husband was for admittance to the Edwards fundraiser. Neither of them attended, she said.

Donna Hosea said she was not aware of the other 14 Robinson Calcagnie donations recorded on the same day. "I know nothing about what anyone else did," she said.

Linda Moen, an office manager at the firm who contributed the maximum permitted, has no prior history of federal political donations. Orange County records show she registered as a Republican in 1987 and consistently votes, including in California's closed primaries.

Franklin Moen, Linda's husband and a self-employed attorney/consultant, also gave \$2,000 on March 7. It was his first recorded donation to a federal campaign. County records show Franklin Moen registered in 1994 as a Republican and regularly participates in primary, general and special elections.